

# Pennsylvania Performance Review Report FY 2017

4 27 2018

**Commendations**

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**Met Requirements**

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**Recommendations**

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**Action Required**

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U.S. Department of Education  
Office of State Support  
Office of Elementary and Secondary Education  
400 Maryland Avenue, SW  
Washington, DC 20202

## **Office of State Support Performance Review Process**

The Office of State Support (OSS) is committed to supporting States as they implement Federal grant programs. Part of this commitment includes a performance review process designed to not only address the OSS's responsibilities for fiscal and programmatic oversight, but to also identify areas in which States need assistance and support to meet their goals and obligations. The performance review process is anchored around ongoing conversations between the OSS and grantees and includes multiple components: *Progress Checks, Desk Reviews, and On-Site Reviews*.

The goals of the OSS performance review process are to conduct a State-centered, performance-focused review of all OSS programs (Title I, Part A; Title II, Part A; Title III, Part A; and School Improvement Grants (section 1003(g) of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB)) through a single, streamlined process that results in improved and strengthened partnerships between the United States Department of Education (the Department) and States and encourages States to develop and effectively implement integrated and coherent consolidated State plans. To accomplish these goals, the OSS performance review process is organized by areas, which reflect the programmatic and fiscal requirements and priorities of OSS programs.

## **Performance Review Report**

The Performance Review Report summarizes the results of the June 13 – June 15, 2017, OSS review of the Pennsylvania Department of Education's (PDE's) grant administration and fiscal management processes. The report is based on information provided through the review process, and other relevant qualitative and quantitative data. The primary goal of this review is to ensure that implementation of the four programs listed above is consistent with the fiscal, administrative, and select program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance: 2 Code of Federal Regulations (CFR) Part 200), the Education Department General Administrative Requirements (EDGAR), and the ESEA, as amended by the NCLB, and where applicable, the Every Student Succeeds Act (ESSA). In addition, the review covers State internal controls related to data quality and reporting and encompasses those fiscal and data reporting requirements applicable to the covered programs under both the NCLB and the ESSA.<sup>1</sup>

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<sup>1</sup> On December 10, 2015, the ESEA of 1965 (the most recent prior version of which was the NCLB) was reauthorized. In order to ensure that the OSS performance review process did not interfere with a State educational agency's (SEA) orderly transition to the new ESSA requirements, the OSS has chosen to focus only on those fiscal and select program requirements applicable to covered programs under both NCLB and ESSA, as well as the uniform administrative requirements and general management systems of SEAs. In future fiscal years, the performance review process will cover all requirements included in ESSA. Because this report summarizes the results of a non-comprehensive set of NCLB and ESSA compliance requirements, the issuance of this report does not preclude other Department program offices, or independent auditors, from identifying areas of noncompliance that are not outlined in this report

## **Section I: State Overview**

As part of this document the OSS includes relevant State background information as a way of providing context for the review conversation. All data presented in Section I are reported by grantees to either the National Center for Education Statistics (NCES), Common Core of Data (CCD), or through standard oversight activities.

## **Section II: Grant Administration and Fiscal Management Performance Evaluation**

The information provided in Section II is intended to help a State quickly assess whether there are sufficient capacities, infrastructure, and resources allocated to State activities by area, in a manner that enables the State to achieve its strategic goals for the reviewed Federal programs. The section provides the State and the OSS' rating of performance on grant administration of applicable Title I, Part A; Title II, Part A; Title III, Part A; and School Improvement Grant programs in fiscal year 2017. Each area rating is a reflection of how a State is addressing fiscal and cross program requirements. The State rating column is populated based on the self-assessment completed by the State prior to the review. OSS' analysis for each area is primarily based on evidence submitted by the State in the form of answers to the self-assessment questions, documents submitted by the State prior to the review, and the responses provided to questions during the review.

OSS' rating is also informed by evidence collected through public sources and other components of the performance review process. In some cases area ratings may overlap (e.g., Risk Assessment and Procurement) and feedback is provided in the cross-cutting subsection that appears at the end of Section II.

Ratings are based on a four-point scale, for which “met requirements with commendation” represents high quality implementation where the grantee is exceeding expectations; “met requirements” indicates that work is of an acceptable quality and the grantee is meeting expectations; “met requirements with recommendations” indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and “action required” indicates there are significant compliance or quality concerns that require urgent attention by the SEA and will be revisited until the State has remedied the issue.

## **Section III: Met Requirements with Commendation**



This section highlights the areas where the State has exceeded requirements and is commended on the grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as “met requirements with commendation”). In addition, this section provides an opportunity for the OSS to highlight those areas where the State has implemented an innovative or highly successful system or approach. In these areas, the OSS is not recommending or requiring the State to take any further action.

## **Section IV: Met Requirements**



This section identifies those areas where the OSS has determined that the State has met basic requirements of grant administration and fiscal management and is implementing those requirements in a satisfactory manner as identified in Section II of this report (*i.e.*, those areas categorized as satisfactory quality, “met requirements”). The description of satisfactory implementation by relevant area and requirement is an indication of an acceptable implementation quality level. In these areas, the OSS is not recommending or requiring the State to take any further action.

## **Section V: Met Requirements with Recommendations**



This section identifies those areas where the OSS has quality implementation concerns related to grant administration and fiscal management as identified in Section II of this report (*i.e.*, those areas categorized as quality concerns, “met requirements with recommendations”). In these instances, the OSS is determining that the State is currently complying with requirements, but that improvements could be made to improve the efficiency or effectiveness of operations. Identified issues are grouped according to relevant area and requirement, with citations provided. For each issue listed, the OSS will provide a recommendation for improvement, but is not requiring the State to take any further action.

## **Section VI: Action Required**



This section identifies those areas where the OSS has “significant compliance and quality concerns” (corresponds to “action required” in Section II). For those issues the OSS will outline the current practice, the nature of noncompliance, and the required action. Documentation of required action must be provided to the OSS within thirty (30) business days of the receipt of the final Performance Review Report.

## SECTION I

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### State Overview<sup>2</sup>



#### COVERED GRANT PROGRAMS

TITLE I, PART A; TITLE II, PART A (TITLE II); TITLE III, PART A (TITLE III), SCHOOL IMPROVEMENT GRANTS (SIG)



#### STUDENT CHARACTERISTICS

Enrolled:	1,743,160	Limited-English Proficiency:	3%
In Title I Schools: <sup>3</sup>	37%	Eligible for Free & Reduced Lunch:	46%



#### RACIAL/ETHNIC BACKGROUND (%)

White:	68	Asian or Pacific Islander:	1
Hispanic:	10	American Indian/Alaskan Native:	0.3
Black:	15	Native Hawaiian/Other Pacific Islander:	n/a



#### SCHOOL & LOCAL EDUCATIONAL AGENCY (LEA) CHARACTERISTICS

School Districts:	796	FTE Teachers:	122,029
Schools:	3097	Per-Pupil Expenditures: <sup>4</sup>	\$13,824
Charter Schools:	176		



#### FEDERAL FUNDING<sup>5</sup>

Total:	\$677,975,837	Title III, Part A:	\$15,156,748
Title I, Part A:	\$550,781,305	SIG:	\$18,222,007
Title II, Part A:	\$93,815,777		

<sup>2</sup> Data Source: U.S. Department of Education, Common Core of Data (CCD), 2014-2015 school year, unless otherwise noted (see <http://eddataexpress.ed.gov/> and <http://nces.ed.gov/ccd/elsi/> for additional information).

<sup>3</sup> Schools eligible for Title I, Part A schoolwide programs are also included in the count of all Title I, Part A eligible schools. A Title I, Part A eligible school is one in which the percentage of children from low-income families is at least as high as the percentages of children from low-income families served by the local education agency (LEA) as a whole or because 35 percent or more of the children in the school are from low-income families. A schoolwide Title I, Part A eligible school has a percentage of low-income students that is at least 40 percent.

<sup>4</sup> Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey (State Fiscal)", 2013-2014 (Fiscal Year 2014), v.1a. (see <http://nces.ed.gov/ccd/elsi/> for additional information).

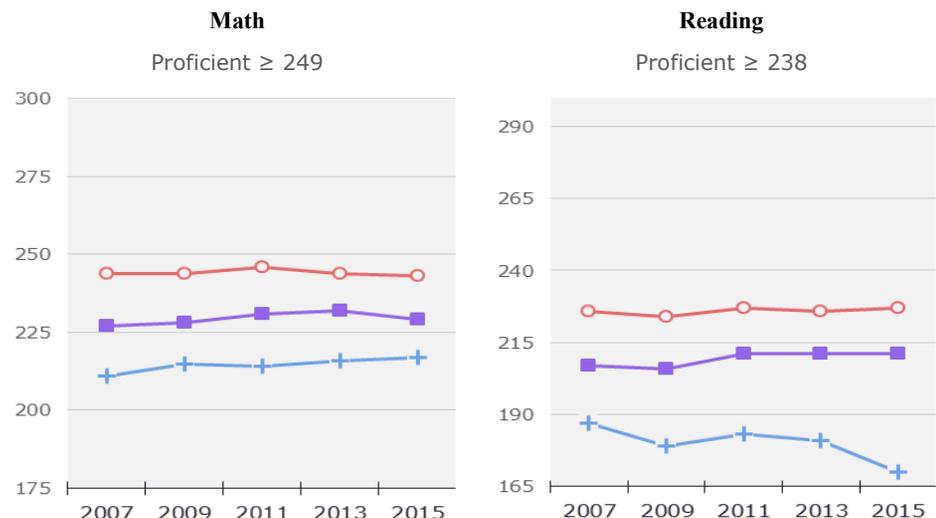
<sup>5</sup> FY 2014 funds included above are from OSS administered programs that allocate funds to States using a statutory formula. The totals do not reflect all Department of Education funds that flow to a State. States and other entities may also receive funds from grants that are awarded on a competitive basis.

## NAEP Average Scale Scores by Grade & Year

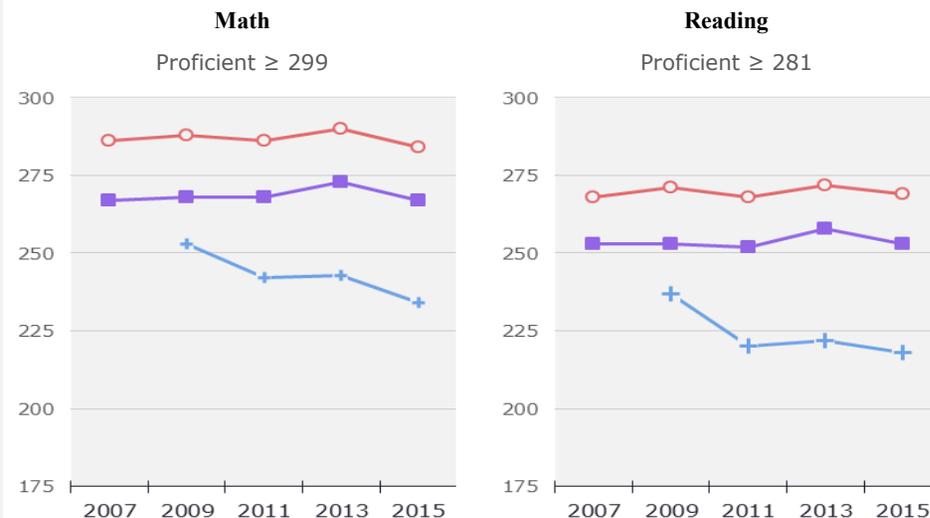
The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of what America's students know. The NAEP mathematics and reading scales range from 0–500.

- All
- Low-income students
- + EL students

### Grade 4



### Grade 8



	All	Low-Income	EL
2007	244	227	211
2009	244	228	215
2011	246	231	214
2013	244	232	216
2015	243	229	217

	All	Low-Income	EL
2007	226	207	187
2009	224	206	179
2011	227	211	183
2013	226	211	181
2015	227	211	170

	All	Low-Income	EL
2007	286	267	† <sup>6</sup>
2009	288	268	253
2011	286	268	242
2013	290	273	243
2015	284	267	234

	All	Low-Income	EL
2007	268	253	† <sup>7</sup>
2009	271	253	237
2011	268	252	220
2013	272	258	222
2015	269	253	218

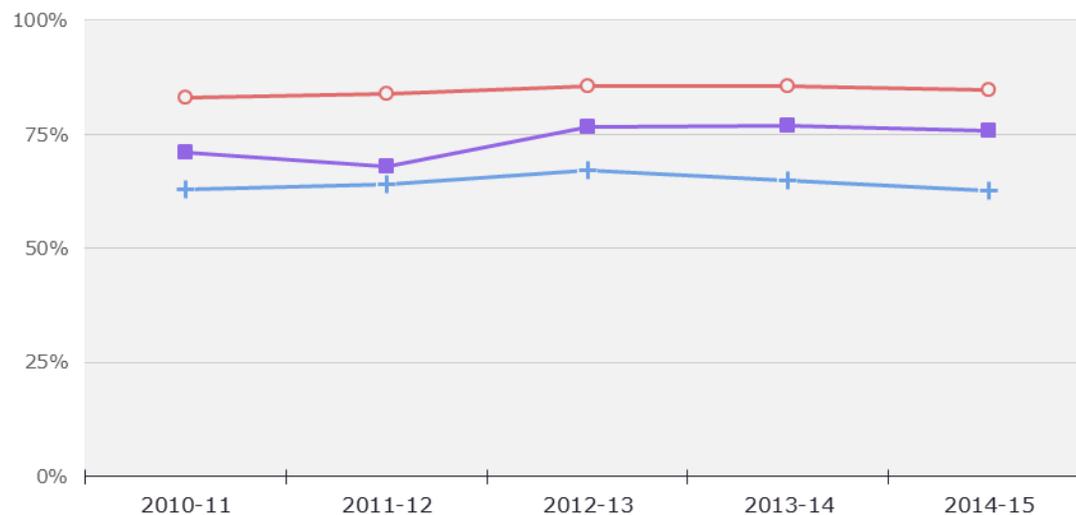
<sup>6</sup> Reporting standards not met.

<sup>7</sup> Reporting standards not met.

## ADJUSTED COHORT GRADUATION RATE (ACGR) BY SCHOOL YEAR

The four-year adjusted cohort graduation rate is the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for the graduating class. From the beginning of 9th grade (or the earliest high school grade), students who are entering that grade for the first time form a cohort that is "adjusted" by adding any students who subsequently transfer into the cohort and subtracting any students who subsequently transfer out, emigrate to another country, or die. There are some differences in State implementation of the ACGR requirements, leading to the potential for differences across in how rates are calculated. See <http://www2.ed.gov/admins/lead/account/consolidated/index.html> for additional information on interpreting this data)

- All
- Low-income students
- + EL students



	All	Low Income	EL
2010-11	83%	71%	63%
2011-12	84%	68%	64%
2012-13	86%	77%	67%
2013-14	86%	77%	65%
2014-15	85%	76%	63%

## SECTION II

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# Grant Administration and Fiscal Management Evaluation

<b>Dates of Review</b>	June 27-29, 2017
<b>Reviewers</b>	Molly Budman (Office of State Support) Christopher Fenton (Office of State Support) John Keefer (Management Support Unit) Shane Morrisey (Management Support Unit)
<b>LEA Participants</b>	Philadelphia City School District (Philadelphia, PA) Norristown School District (Norristown, PA) Mastery Charter School (Philadelphia, PA)
<b>Current Grant Conditions</b>	Title I, Part A: None Title II, Part A: None Title III, Part A: None SIG: None
<b>Outstanding Findings</b>	Title I, Part A: None Title II, Part A: None Title III, Part A: None SIG: None
<b>High Risk Status</b>	Not Applicable

**Assessment Criteria Key**



**Met requirements with commendation**

High quality implementation & compliance.



**Met requirements**

Satisfactory implementation & compliance.



**Met requirements with recommendation**

Satisfactory compliance with quality concerns.



**Action required**

Significant compliance & quality concerns.

		SEA	OSS
Accounting Systems and Fiscal Controls	<b>A</b>	● ● ● ○	● ● ● ●
Period of Availability and Carryover	<b>B</b>	● ● ● ○	● ● ● ●
Audit Requirements	<b>C</b>	● ● ● ○	● ● ● ●
Internal Controls (Control Environment and Control Activities)	<b>D</b>	● ● ● ○	● ● ● ●
Risk Assessment	<b>E</b>	● ● ● ○	● ● ● ●
Records and Information Management	<b>F</b>	● ● ● ○	● ● ● ●
Equipment Management	<b>G</b>	● ● ● ○	● ● ● ●
Personnel	<b>H</b>	● ● ● ○	● ● ● ●
Procurement	<b>I</b>	● ● ● ○	● ● ● ●
Indirect Costs	<b>J</b>	● ● ● ○	● ● ● ●
Transparency Act Reporting	<b>K</b>	● ● ● ○	● ● ● ●
Charter School Authorization and Oversight	<b>L</b>	● ● ● ○	● ● ● ●
Reservations and Consolidation	<b>M</b>	● ● ● ○	● ● ● ●
Budgeting and Activities	<b>N</b>	● ● ● ○	● ● ● ●
Allocations	<b>O</b>	● ● ● ○	● ● ● ●
Maintenance of Effort (MOE)	<b>P</b>	● ● ● ○	● ● ● ●
Comparability	<b>Q</b>	● ● ● ○	● ● ● ●
Subrecipient Monitoring	<b>R</b>	● ● ● ○	● ● ● ●
Supplement Not Supplant	<b>S</b>	● ● ● ○	● ● ● ●
Equitable Services	<b>T</b>	● ● ● ○	● ● ● ●
LEA Support and Guidance	<b>U</b>	● ● ● ○	● ● ● ●
Transparency and Data Reporting	<b>V</b>	● ● ● ○	● ● ● ●
Data Quality	<b>W</b>	● ● ● ○	● ● ● ●

**SECTION III**

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**Met Requirements with Commendation**

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No areas reviewed were identified for commendation.

## SECTION IV

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# Met Requirements

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D.

### INTERNAL CONTROLS



#### REQUIREMENT SUMMARY

The SEA shall establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the SEA is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the "Standards of Internal Control in the Federal Government" (GAO Green Book) or the "Internal Controls Integrated Framework" (Treadway Commission).

Uniform Guidance 2 C.F.R. §200.303



#### ISSUE

During fiscal year 2017, PDE completed a comprehensive assessment of the agency's internal controls framework. This assessment led to the creation and implementation of an Internal Control Oversight Committee for the agency, which will be responsible for conducting and responding to evaluations of the agency's internal controls. PDE also created and implemented a new internal risk assessment framework in fiscal year 2017 that allows the agency to identify risks affecting agency operations and requires the development of mitigation strategies for all identified risks. As evidence of these new processes, PDE provided the Department with documented procedures for the completion of the annual internal controls evaluation process, a copy of its new internal controls evaluation framework, and a sample of a completed internal risk assessment tool. While these elements of the agency's internal controls framework were still in the process of being finalized and implemented at the time of the review, PDE provided the Department with copies of its completed fiscal year 2017 internal risk assessment and agency-wide internal controls evaluation, along with documented plans for addressing issues identified through each process. Both of the frameworks provided were of a very high quality and should allow PDE to more effectively respond to organizational risk and to more easily identify areas for improvement in its overall internal controls.

E.

## RISK ASSESSMENT



### REQUIREMENT SUMMARY

In order to determine the appropriate method and level of subrecipient monitoring, an SEA shall evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Uniform Guidance 2 C.F.R. §200.331(b)

### DESCRIPTION OF SATISFACTORY IMPLEMENTATION

As part of its subrecipient monitoring planning process, PDE annually performs a subrecipient risk assessment to identify which local educational agencies (LEAs) have a higher risk of noncompliance with Federal statutes, regulations, and the terms and conditions of Federal awards. PDE provided the Department with a sample risk assessment tool that included indicators related to previous monitoring findings (including an indicator related to the volume of findings), LEA personnel turnover, size of an LEA's allocation, excess carryover balances for the Title I program, failure to comply with MOE requirements, late submission of student performance data and late submission of budget amendments. PDE also provided a copy of its completed school year 2016-2017 risk assessment, which included risk scores for over 680 traditional and charter LEAs. PDE noted that it provides each LEA with its individual risk assessment score to ensure LEAs are aware of their risk status.

During conversations with LEAs, district staff displayed a strong understanding of how PDE utilizes risk assessment results when planning monitoring activities for each school year. District staff noted that PDE provides information related to its risk assessment process during annual regional workshops and conferences.

J.

## INDIRECT COSTS



### REQUIREMENT SUMMARY

An SEA shall ensure that indirect costs are only charged at the correct indirect cost rate. An indirect cost is a cost that is incurred for the benefit of the entire organization.

Uniform Guidance 2 C.F.R. §200.414

EDGAR 34 C.F.R. §76.560-569



### DESCRIPTION OF SATISFACTORY IMPLEMENTATION

PDE calculates the indirect costs charged to major administrative grants and works in coordination with Comptroller Operations to ensure that the calculation is correct. Each Federal grant is given a budget for each drawdown, and if the indirect costs exceed that amount, it will not be charged to the Federal programs. This is a manual calculation performed by PDE within the budget office. The Comptroller will then review all indirect cost charges to ensure they do not exceed amounts allowed under PDE's indirect cost rate agreement.

L.

## CHARTER SCHOOL AUTHORIZATION AND OVERSIGHT



### REQUIREMENT SUMMARY

The SEA provides information on OSS programs (i.e., allocations; applications; and requirements, including requirements for proper disposition of equipment and property) to all charter schools and LEAs and Charter Management Organizations (CMOs) or Education Management Organizations (EMOs) that oversee charter schools, has established internal controls related to the charter schools' relationships with their CMOs/EMOs, and has clear procedures that are systematically monitored for orderly closure, where applicable.

ESEA §1122(c) and §1125A(g)(3)

EDGAR 34 C.F.R. §74.42, §74.45-46, §74.48, §75.525(a), §75.525(b), and §80.36(b)

Uniform Guidance 2 C.F.R. §200.318(c)

Final Audit Report: ED-OIG/A02M0012



### DESCRIPTION OF SATISFACTORY IMPLEMENTATION<sup>8</sup>

During the review, PDE provided an overview of the charter school authorization process in the State of Pennsylvania. Under State law, charter schools with physical locations must seek authorization from the local LEA for the area in which the charter school intends to operate, while virtual charter schools can request authorization from PDE. After a proposed charter is approved, both physical and virtual charter schools operate as independent LEAs for Federal and State funding purposes.

PDE staff annually visit each charter school LEA to verify student enrollment data for the purposes of determining program allocations. Once the site visits are completed, PDE compiles a spreadsheet that lists all new charter schools operating in the State, lists charter schools that have closed within the past year, and tracks enrollment data changes for existing charter schools from year to year to determine whether any charter school LEAs have experienced a significant expansion in enrollment. PDE also provided a sample of its charter school management survey and an online questionnaire used to obtain information from charter school LEAs on their management structure, including details related to the use of charter management organizations.

During the review, officials from a charter school LEA confirmed that PDE staff conducted a visit each fall to verify enrollment data and spoke positively about the utility of such a visit. The charter school LEA also confirmed that PDE invites

<sup>8</sup> The Department has identified an issue with PDE's process for allocating Title I funds to charter schools as described in the action required section on allocations. However, because the issue identified originates from PDE's Title I allocation calculation process, rather than from PDE's process to collect and verify charter school student eligibility data, we address the issue in the allocations section only.

charter school LEA staff to attend all conferences and trainings, provides regular guidance on program applications and requirements, and conducts on-site monitoring reviews every few years in accordance with PDE's risk-based monitoring cycle.

M.

## RESERVATIONS AND CONSOLIDATION



### REQUIREMENT SUMMARY

The SEA shall ensure that the amount of program funds reserved for administration and other State activities does not exceed statutory limits for each program. SEAs are permitted to consolidate the administrative set-asides from several ESEA programs (Title I, Title IIA, Migrant Education Program, Negligent and Delinquent Youth Program, Rural and Low Income Schools Program, and the 21st Century Community Learning Centers Program) in order to administer them collectively.

ESEA §1003(a), §1003(g)(8), §1004(a)(1), §2113(c), §2113(d), §3111(b)(3), and §9201(a)

ESEA Regulations 34 C.F.R. §299.4



### DESCRIPTION OF SATISFACTORY IMPLEMENTATION

Once PDE receives preliminary allocations from the Department, PDE reviews the statutory requirements for reservations for each program and calculates the amounts that can be reserved for State activities and State administration. Once calculations are completed, PDE is required to provide an allocation memo to the Comptroller's Office for each Federal program to allow the Comptroller to verify the amount and enter it into the statewide accounting system.

During the review, PDE confirmed that it consolidates administrative funds. After administrative fund amounts are determined, PDE creates a spreadsheet to coordinate the use of consolidated administrative funds during the award period. Prior to approving any administrative expenditure, PDE staff members are required to check reservation balances to ensure funds are available. Once expenditures are approved, PDE uses a spreadsheet called the Federal Matrix to assign expenditures to fund categories and track changes in available fund balances.

N.

## BUDGETING AND ACTIVITIES



### REQUIREMENT SUMMARY

An SEA and its subrecipients can only use program funds for allowable costs, as defined in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements (2 C.F.R. §200), which include, among other things, the requirement that costs be reasonable and necessary for the accomplishment of program objectives.

Uniform Guidance 2 C.F.R. §200.403-408 and §200.420-475

EDGAR 34 C.F.R. §76.530



### DESCRIPTION OF SATISFACTORY IMPLEMENTATION

As part of the budgeting process for SEA reservations, the PDE Director of Federal Programs meets with PDE Budget Office staff to determine projected salaries, benefits, and travel expenses for all federally funded staff. The Director of Federal Programs creates the Federal Matrix, which allows PDE to track Federal spending across the previously determined budget categories, monitoring spending levels within each category.

To ensure subrecipients only spend funds on allowable activities and allowable expenditures, PDE Regional Coordinators evaluate proposed program budgets using a documented application review checklist during the consolidated grant application review process. As part of the application review, coordinators examine proposed activities in program narratives for alignment with program requirements and examine proposed expenditures listed in the budget forms for allowability. As an additional control against unallowable spending by subrecipients, PDE's eGrants system is configured to limit the range of categories of spending that can be budgeted for during the application process. During the process, Regional Coordinators work with program staff from the various programs involved in the consolidated application and the Federal Programs Director provides the final review and approval. Where issues are identified with proposed budgets, PDE returns the application to the subrecipient with specific instructions regarding the questioned expenditures, providing support for LEAs in identifying alternative uses of program funds. Conversations with LEA confirmed the support provided by Regional Coordinators during the application review and budget approval processes, including face-to-face support meetings.

R.

## SUBRECIPIENT MONITORING



### REQUIREMENT SUMMARY

An SEA shall monitor local educational agencies (LEAs) and any other entities, including external providers, receiving Federal funds from programs covered in the Consolidated State Plan to ensure that performance goals are achieved and that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Uniform Guidance 2 C.F.R. §200.331(d)



### DESCRIPTION OF SATISFACTORY IMPLEMENTATION

For the Title I, Title II, and Title III programs, PDE conducts coordinated monitoring of subrecipients on a four-year cycle. In addition to this baseline monitoring cycle, PDE also annually identifies additional subrecipients for monitoring based on the results of its risk assessment for that given year, regardless of the last time a subrecipient was monitored. For the SIG program, PDE monitors all SIG recipients each year, performing three reviews over the course of each school year.

When carrying out monitoring activities, PDE conducts mostly on-site visits, although subrecipients identified as being “low risk” by PDE’s subrecipient risk assessment process complete desk reviews. Prior to initiating monitoring activities, subrecipients complete a self-assessment to assess their implementation of key performance goals and measures. During an on-site review, PDE utilizes a comprehensive monitoring tool for the Title I and Title II programs. The monitoring tool is used to evaluate subrecipient expenditures, performance reports and program activities to ensure LEAs are following all required Federal regulations and program requirements. PDE uses a separate monitoring protocol for Title III that focuses on services for English language learners and Title III program requirements. Upon completion of monitoring activities, PDE staff review the results of the monitoring visit and develop corrective action plans for an LEA if the monitors determine that the LEA is not meeting all of the applicable requirements.

U.

## LEA SUPPORT AND GUIDANCE



### REQUIREMENT SUMMARY

An SEA shall have procedures for providing technical assistance and evaluating how project funds were spent, if they were spent in compliance with statutes and regulations, and if expected outcomes were achieved as a result of spending.

EDGAR 34 CFR §76.770

### DESCRIPTION OF SATISFACTORY IMPLEMENTATION

PDE has an established process for identifying LEA needs and providing technical assistance and guidance. Outreach to LEAs occurs during annual workshops and conferences, through email blasts to Federal programs coordinators and printed guidance sent to LEA program coordinators, and during in-person meetings between PDE Regional Coordinators and LEA staff. During conferences and workshops, PDE discusses relevant program requirements, and PDE subsequently uploads resources to the PDE website for LEAs that are unable to attend. PDE also provides training sessions for new Federal Program coordinators to assess their needs and provide program requirement information. PDE utilizes participant surveys after each conference and monitoring visit to garner feedback from LEAs for the purpose of developing additional guidance and technical assistance efforts. To ensure that LEAs are meeting grant requirements, PDE provides LEAs with a calendar that includes all Federal programs deadlines as well as monthly “to do lists” that summarize monthly grant tasks.

During discussions with LEAs, LEA staff provided positive feedback regarding PDE’s outreach and support efforts. They stated that PDE shares best practices from other LEAs and encourages LEAs in the State to communicate with each other to share information and ideas.

## SECTION V

# Met Requirements with Recommendation

A.

## ACCOUNTING SYSTEMS AND FISCAL CONTROLS



### REQUIREMENT SUMMARY

An SEA shall expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. SEAs must have written procedures for determining cost allowability and must maintain effective control over all funds.

Uniform Guidance 2 C.F.R. §200.302

EDGAR 34 C.F.R. §76.702



### ISSUE

During the review, PDE provided documentation outlining the structure and operation of the statewide financial management system operated by the Pennsylvania State Comptroller. Under the statewide policies, PDE is primarily responsible for programmatic tasks associated with grant administration. The Comptroller is responsible for maintaining grant files, establishing budgets within the State accounting system, managing payments and accounting records for grant programs, and preparing necessary financial reports. PDE noted during the review that, while the Comptroller is tasked with the majority of financial management responsibilities, PDE does participate in the budget development process, review subrecipient program budgets during the subaward application process, monitor grant balances for subrecipients during the award year, review subrecipient expenditures and financial management procedures during monitoring, and review subrecipient year-end financial reports.

However, PDE was unable to provide any agency-wide documented procedures for determining the allowability of costs, either proposed costs or actual claimed expenditures by the SEA or subrecipients. PDE noted that the statewide accounting system does not include any automated controls to prevent unallowable expenditures, but instead the agency relies on manual review of budgets and expenditures to determine allowability. Further, PDE stated that the manual procedures and communication of standards used for evaluating expenditures for allowability is the responsibility of each individual program office. PDE provided a sample Administrative Manual used by program staff when conducting program operations, but the document included very limited information pertaining to the factors for allowability of costs, and no content regarding the touchpoints of the

grant cycle where staff should be determining whether SEA or LEA costs are allowable. Because of the program office-specific nature of PDE's process and the absence of automated controls, the lack of documented procedures for fulfilling these responsibilities creates a risk that program staff could fail to identify and correct potential instances of unallowable expenditures.



### **RECOMMENDATION**

The Department recommends that PDE develop documented procedures, either agency-wide or for individual program offices, to evaluate and determine the allowability of proposed and actual costs paid for using Federal funds. While assigning individual program offices and staff the responsibility to evaluate costs for allowability is reasonable given the programmatic considerations that go into determinations regarding the reasonableness, necessity, and allocability of individual costs, such documented procedures should help ensure consistency across programs in the application of the Federal cost principles and in the evaluation of costs at specific points in the grant cycle.

B.

## PERIOD OF AVAILABILITY AND CARRYOVER



### REQUIREMENT SUMMARY

The SEA may only charge a grant program for allowable costs incurred during the period of availability and any pre-award costs that have been authorized by the Department. Unless the Department authorizes an extension, the SEA shall liquidate all obligation incurred under the award not later than 90 calendar days after the end date of the performance period. If the SEA fails to obligate all funds by the end of the award year, it can "carryover" the remaining funds for a period of one additional fiscal year. Any funds not obligated by the end of the carryover period shall be returned by the SEA to the Federal government as an unobligated balance.

Uniform Guidance 2 C.F.R. §200.309 and §200.343(b)

EDGAR 34 C.F.R. §76.707 and §76.709



### ISSUE

PDE provided evidence that the SEA communicates period of availability requirements to subrecipients and provided documentation regarding its process for establishing the period of availability for each Federal award within the statewide financial management system. In addition, PDE provided documented procedures regarding monitoring potential subrecipient carryover amounts to ensure compliance with applicable limitations, as well as evidence of restricting subrecipient carryover balances where the amounts exceed applicable carryover limitations. In addition, PDE provided samples of guidance to subrecipients regarding period of availability requirements and carryover limitations.

However, PDE could not provide any documented procedures for monitoring unexpended award balances or prioritizing the use of previous year funds during the carryover year. Such procedures are essential to ensure that all funds are obligated and liquidated prior to the expiration of the funds and to avoid the return of any unobligated balances. While PDE described a new monthly monitoring process performed by the agency's central budget office, PDE did not provide any documented procedures or evidence of such a process. Without documented procedures for conducting such monthly monitoring or for prioritizing the use of carryover funds during the carryover period, there is a risk that the SEA and its LEAs may be unaware of remaining fund balances and that funds would subsequently need to be returned to the Federal government after the expiration of the period of availability.

**RECOMMENDATION**

The Department recommends that PDE develop documented procedures describing its new monthly award balance monitoring process, including designation of responsible individuals, descriptions and timelines for the process, and details on how the information is to be communicated and used to guide program activities and to support LEAs. Such procedures should both help ensure that the process operates as intended and allow for identification of areas where additional procedures or steps are needed.

H.

## PERSONNEL



### REQUIREMENT SUMMARY

An SEA shall ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated.

Uniform Guidance 2 C.F.R. §200.430



### ISSUE

Before PDE can expend program funds on staff time and effort, Commonwealth policies require that a staff member have an approved, active job description that includes the full range of duties covered under each Federal grant from which compensation is funded. These job descriptions are required for both 100 percent federally funded and split-funded staff (with the percentage of time spent on each activity required for split-funded employees), and each staff member's job description must be annually updated to ensure compliance with Federal and State requirements. During the grant year, employees complete time sheets that must be reviewed by supervisors within their respected program office. PDE also noted that each individual program office is responsible for reviewing personnel records and making adjustments where planned time and effort varies from work performed.

PDE submitted a copy of the commonwealth-wide management directive regarding required position descriptions and a sample timesheet. However, PDE did not provide documented procedures related to the process PDE uses to ensure personnel charges made to Federal awards are accurate reflections of time and effort spent working on each program and how documentation is maintained to support all personnel charges made using Federal funds.



### RECOMMENDATION

The Department recommends that PDE develop documented procedures describing the controls it has in place to ensure personnel charges made to Federal awards are accurate reflections of the time and effort spent working on each program. These procedures should include instructions to program offices regarding the types of documentation that must be maintained to support time and effort charges for both split and fully federally funded employees, the process each program office should use to review and verify the accuracy of its time and effort records, and the process to make adjustments to time and effort charges when anticipated and actual time and effort for Federal programs vary.

I.

## PROCUREMENT



### REQUIREMENT SUMMARY

An SEA shall ensure that all relevant State procurement procedures are followed when procuring goods and services using Federal funds. An SEA must also maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specification of their contracts.

Uniform Guidance 2 C.F.R. §200.317, §200.322, and §200.326



### ISSUE

During the review, PDE provided evidence of oversight and support activities for LEA procurement processes. As part of its subrecipient monitoring process, PDE reviews each LEA's procurement procedures and test sample procurement transactions to ensure that the transactions are sufficiently documented and completed in compliance with applicable requirements. Conversations with LEA staff confirmed that PDE provided substantial guidance and technical assistance to LEAs in the current fiscal year regarding procurement requirements, including providing a template for LEA procurement procedures.

While these activities reflect sufficient oversight of LEA procurement, PDE was unable to provide similar evidence for SEA procurements. Prior to the review, PDE provided documented procurement procedures for information technology (IT) purchases created by the Office of Administration (OA), an independent State agency. These policies clearly outlined the procurement responsibilities of both State agencies such as PDE and OA, but focused primarily on the process used by OA. PDE was unable to provide documented procedures outlining the process used to execute the SEA's procurement responsibilities including the identification of procurement needs and the initiation of procurement transactions. Without documented procedures, there is a risk that PDE staff could intentionally or inadvertently fail to complete needed steps in the procurement process, resulting in transactions that might not meet all applicable requirements.



### RECOMMENDATION

In order to ensure that staff members participating in procurement transactions fully understand their responsibilities, PDE should develop documented procedures that outline the steps in the procurement process, identify actions that must be completed by PDE staff, and describe the process for working with OA to complete transactions, including PDE's responsibilities for contractor oversight and monitoring the delivery of goods and services.

P.

## MAINTENANCE OF EFFORT



### REQUIREMENT SUMMARY

An SEA shall ensure that each LEA shall have an amount of funding not less than 90% of the amount available the preceding year.

ESEA §9521

ESEA Regulations 34 C.F.R. §299.5



### ISSUE

To ensure LEA compliance with MOE requirement, PDE performs MOE calculations on behalf of its LEAs. Each summer, PDE receives the financial report data for all LEAs from the PDE Data Quality Office and average daily membership information from its central student data management system. Once PDE staff complete MOE calculation, LEAs are notified in writing as to whether they have met or failed to meet MOE requirements. LEAs that do not meet MOE requirements are given the option to apply for a waiver or adjust expenditures. For LEAs requesting a waiver, PDE provides the spreadsheet from the Department for the LEA to fill out, reviews the information to determine the likelihood of receiving a waiver, and provides assistance as needed.

PDE provided examples of spreadsheets and tools used to calculate MOE on behalf of LEAs and provided a verbal explanation of the process for calculating MOE and communicating with LEAs. However, documentation provided by PDE did not provide detailed instructions for the use of MOE calculation spreadsheets, and the roles and responsibilities of PDE staff involved in the MOE calculations and follow-up process.



### RECOMMENDATION

The Department recommends that PDE include in the documented procedures describing the MOE calculation process instructions to staff around the use of MOE spreadsheets and the process for assisting with waivers or adjusting funding when LEAs fail to meet MOE requirements. Additionally, the documented procedures should include roles and responsibilities of PDE staff.

S.

## SUPPLEMENT NOT SUPPLANT



### REQUIREMENT SUMMARY

The State and its subgrantees must ensure that funds from the Title I, Part A, Title II, Part A and Title III, Part A programs are used to supplement not supplant State and local funds (as well as other Federal funds for the Title III, Part A program).

ESEA §1114(a)(2)(B), §1120A(b), §2113(f), §2123(b), and §3115(g)

Title I Regulations 34 C.F.R. §200.79



### ISSUE

PDE evaluates LEA compliance with supplement not supplant (SNS) requirements as part of the consolidated grant application review and subrecipient monitoring processes. During the application review process, PDE reviews LEA program narratives for each program, as well as LEA-level program budget information, to ensure that supplanting is not taking place. As part of the review of Title I schoolwide programs, PDE also examines previous year expenditure data for State and local funding sources to evaluate whether State and local funding is appropriately adjusted in response to changes in Federal funding amounts. PDE takes steps to differentiate requirements for supplanting for each covered Federal grant program. During the review of Title I targeted assistance plans, as well as Title II and Title III program narratives, PDE has structured the application format to require LEAs to submit information on planned services so that reviewers can evaluate proposed services against core district curricula, and against State, locally funded, and, in the context of the Title III program, other federally funded services provided to eligible student populations.

During the consolidated monitoring process, actual school- and LEA-level expenditures and activities are examined to determine whether supplanting has occurred. PDE examines expenditures largely using the same considerations as those utilized during the application review process, but to a greater degree of specificity than is obtained during the project narrative and budget review. If SNS issues are identified during monitoring, the assigned Regional Coordinator recommends corrective action and provides technical assistance, if necessary.

While PDE was able to describe a robust process for ensuring SNS requirements are met for the Title I, Title II, and Title III programs, conversations with LEA representatives highlighted that PDE's processes may not be well understood at the LEA level. In particular, some LEA staff did not seem to understand the information and considerations PDE uses to evaluate district compliance with SNS requirements during monitoring. LEA staff members were also largely unaware of how SNS compliance factors into PDE's application review process, particularly

for Title I schoolwide programs and for the Title III program.



### **RECOMMENDATION**

The Department recommends that PDE provide additional information to LEAs outlining SNS requirements for the Title I (using the new ESSA Title I SNS requirements), Title II, and Title III programs, as well as an explanation of how SNS requirements are factored into the application review and post-award monitoring processes for each program. As part of these communications, PDE should take special effort to highlight the SNS requirements for Title III, including the requirement that Title III funds not be used to supplant other Federal funds. Such information could help LEAs ensure that the correct factors are considered during the grant application planning process, and help ensure LEA compliance with SNS requirements. Additionally, PDE should establish a process for timely follow up with LEAs to ensure that the information provided is being applied properly to applicable programs in LEAs.

T.

## EQUITABLE SERVICES



### REQUIREMENT SUMMARY

An SEA shall ensure that LEAs use Federal funds to provide benefits to eligible children enrolled in private schools and to ensure that teachers and families of participating private school children participate on an equitable basis.

ESEA §9501

EDGAR 34 C.F.R. §76.661

Title I Regulations 34 C.F.R. §200.62-67

ESEA Regulations 34 C.F.R. §299.6 and §299.9



### ISSUE

Equitable services information and assurances are a required part of the LEA consolidated application through the PDE eGrants system. The equitable services section of the eGrants application is accessible to non-public schools, which may review information related to the LEA consultation. Affirmation forms must be provided to PDE by the LEA and non-public schools prior to approval of the consolidated application.

During monitoring, PDE interviews LEA and non-public school staff to ensure that services received are appropriate and that non-public schools are satisfied with the process used to determine and deliver services. Services are reviewed for allowability. Processes around use, management, inventory, and disposal of equipment and supplies are examined to ensure program requirements are met.

PDE provides information to LEAs and non-public schools related to quality and accessibility of equitable services and information on the established complaint process is included in the affirmation documentation.

However, discussions with LEAs during the review raised concerns about the level and quality of feedback PDE provides to LEAs related to the application submission and review process. While PDE provided guidance to LEAs related to the changes to equitable services in ESSA, additional support, such as tools or detailed guidance on calculating equitable share would assist LEAs in maintaining compliance with equitable services requirements.



### RECOMMENDATION

The Department recommends that PDE provide detailed guidance and support to LEAs related to equitable services sections of the grant applications and include information (such as tools or calculation worksheets) to assist LEAs in the

calculation of equitable share. PDE should also clearly outline the process for gathering feedback from LEAs and stakeholders, and include details on the process in its documented procedures for submission and review of applications.

W.

## DATA QUALITY



### REQUIREMENT SUMMARY

An SEA is required to have appropriate procedures in place to ensure that the data reported to the public and the Department are high quality (i.e., timely, complete, accurate, valid, and reliable).

ESEA §1111(h) (4)

Government Accountability Office's "Standards for Internal Control in the Federal Government" (GAO Green Book)

Uniform Guidance 2 CFR §200.303 and 2 CFR §200.328(b)

OMB Circular A-133 Compliance Supplement: Department of Education Cross-cutting Section

Final Audit Report: ED-OIG/A0600001



### ISSUE

PDE has established processes related to data quality, managed through its Pennsylvania Information Management System (PIMS) office, which are intended to ensure that data are timely, complete, accurate, valid, and reliable. Specifically, PDE has defined quality checks and automated business rules, and engages a team of subject matter experts and statisticians in the processes of creating and revising data quality rules. In addition, the PDE PIMS office annually reviews data, checking for large variances, data outliers, and other data anomalies. Regional PIMS coordinators provide individual support to LEAs, as needed, to address issues at the LEA level impacting data quality. This support can include an in-person consultation.

If PDE receives Consolidated State Performance Report (CSPR) feedback from the Department, its CSPR coordinator is tasked with addressing the identified data issues, which can include interoffice coordination and LEA resubmission during a subsequent submission window. To reduce the number of errors in its initial submission, PDE utilizes programmed spreadsheets to notify staff of CSPR issues that must be addressed prior to submission to the Department.

While it is clear that PDE has several effective processes within their data governance structure, based on the evidence evaluated, there was no evidence of a clearly documented process, including internal controls within PDE, to ensure data quality.



### RECOMMENDATION

In order to enhance program office coordination related to data quality, the Department recommends that PDE evaluate whether its data governance structure is

sufficiently broad to include the full cycle of data activities (e.g., data definition through data use), and that it ensures that staff working across all stages of the data cycle have consistent understanding of data procedures and communicate across program offices to address identified issues. PDE should also review its system of internal controls, including its data governance board, to assess whether the agency can clearly document the data review process that ensures data submissions are of a high quality.

## SECTION VI

# Action Required

C.

## AUDIT REQUIREMENTS



### REQUIREMENT SUMMARY

An SEA is responsible for both resolving the audit findings of subrecipients and for conducting audit follow-up activities and corrective actions for findings from the SEA's yearly Single Audit. An SEA is also required to ensure that subrecipients who meet the audit threshold are audited and the audits are reported according to established timelines.

Uniform Guidance 2 C.F.R. §200.303(d)(2), §200.331(d)(3), §200.331(f), §200.511(a), §200.512, and §200.521(c)



### ISSUE

As a pass-through entity, an SEA is responsible for resolving the audit findings of subrecipients, conducting audit follow-up activities, and ensuring that LEAs implement corrective actions for findings from an SEA's yearly Single Audit. (2 C.F.R. 200.331). Under Uniform Guidance §200.521(d), a pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse. (2 C.F.R. 200.521(d)). An SEA is also required to ensure that subrecipients who meet the audit threshold are audited and that the audits are reported according to established timelines. (2 C.F.R. 200.331(f)).

During the review, the Department received evidence that PDE failed to ensure that management decisions were issued within six months of the acceptance of an audit report, as required under Uniform Guidance §200.521(d). (2 C.F.R. 200.521(d)). PDE provided the Department with documentation of correspondence between its Bureau of Budget and Fiscal Management (Bureau) and its Division of Federal Programs regarding the resolution of an LEA audit finding. The initial correspondence provided from the Bureau is dated January 11, 2017, and requests that the Division of Federal Programs review audit findings from the LEA and provide a determination as to what action is required to resolve the findings. Upon review, the Department noted that the audit findings were from an audit report that took place for fiscal year 2011. Other correspondence provided indicated that a determination as to what action would be required to resolve the findings was dated March 28, 2017 (the Bureau stated that a recommendation with respect to the findings should have been provided by February 1, 2017).

In addition, conversations with LEA staff during the review highlighted additional concerns regarding PDE's audit resolution activities. Specifically, LEA staff

described very limited interaction from PDE regarding Federal single audits and noted that PDE is several years behind on reviewing LEA audit reports. As a result, communication from PDE regarding audit findings frequently does not occur until two or three years after the completion of an audit. The documentation and information the LEA provided during the review confirmed that PDE failed to reach determinations regarding LEA audit findings within the six months required by the Uniform Guidance.

Following completion of the fiscal review, PDE provided the Department with evidence that it had completed the resolution of all outstanding audit findings for the LEA included in the review and had issued all management decision letters by November 1, 2017. PDE also noted that it had hired additional audit resolution staff to improve the timeliness of audit resolution activities, and that the SEA intended to implement a risk-based approach to prioritizing audit findings to ensure timely resolution of complicated or complex audit findings. Finally, PDE stated that its Audit Section would be working collaboratively with Program Offices to develop written procedures outlining corrective action follow-up activities, including staff responsibilities.

#### **REQUIRED ACTION**

Within 30 business days of receipt of this report, PDE must provide the Department with documented procedures (or evidence of updates to its existing procedures) outlining its new risk-based approach to prioritizing audit findings, as well as copies of the procedures for corrective action follow-up developed as a result of the Audit Section's collaboration with PDE Program Offices.

F.

## RECORDS AND INFORMATION MANAGEMENT



### REQUIREMENT SUMMARY

An SEA shall keep records that fully show the amount of funds under a grant award or subgrant, how the SEA used the funds, the total costs of Federally supported projects, the share of costs provided from other sources, records to show compliance with program requirements, and any other records needed to facilitate an effective audit. An SEA shall also take reasonable measures to safeguard and protect personally identifiable information (PII). PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual

Uniform Guidance 2 C.F.R. §200.79, §200.303(e), §200.333, §200.336(a)

EDGAR 34 C.F.R. §76.730-731



### ISSUE

Under Uniform Guidance § 200.333, all financial records, supporting documents, statistical records, and any other records pertaining to Federal awards, must be retained for at least three years from the date of submission of the final expenditure report for the award. (2 C.F.R. § 200.333). The Department, its Inspectors General, and the Comptroller of the United States have the right of access to any documents, papers, or other records of an SEA that are pertinent to the administration of Federal awards. (2 C.F.R. § 200.336). In order to ensure that it can fulfill these responsibilities for records management and access, PDE should maintain documented procedures outlining its methods of storing and retaining Federal program records.

In addition, under Uniform Guidance § 200.303(e), an SEA must take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, local, and tribal laws regarding privacy and obligations of confidentiality. (2 C.F.R. § 200.303(e)).

During the review, the Department identified several issues regarding PDE's information and records management process:

1. In response to a request for PDE's records retention policies (including a description of the categories of required records, timelines for storage and maintenance, and procedures for archiving and disposal, and the designation of responsible individuals), PDE provided the OA Records Retention and Disposition Schedule. PDE did not provide documentation related to its own

records retention schedule. PDE was unable to describe categories of required records, timelines for storage and maintenance, and procedures for archiving and disposing of records, or identify individuals responsible for ensuring compliance with State and Federal records requirements.

2. In response to questions about how PDE protects and safeguards PII, how it monitors or evaluates the security of its information systems, and how it responds to any identified vulnerabilities PDE provided various Management Directives and IT policies from OA. However, PDE did not provide any evidence about how it carries out the Management Directives or IT policies from OA. As an example, OA Information Technology Policy # ITP-SEC025 states that “agencies are responsible for identifying and classifying all PII generated, collected, stored, used, and disclosed by the agency or by a third party on the agency’s behalf.” When prompted, PDE could not provide evidence that it has identified and classified PII as required by OA’s Management Directive.
3. PDE stated that OA mandates annual online training for all staff on authorized use of State equipment and data security. However, PDE could not provide evidence of training specific to education privacy requirements (e.g., the Family Educational Rights and Privacy Act of 1974 (FERPA), Protection of Pupil Rights Amendment (PPRA), etc.).

While it is acceptable for another State agency to perform responsibilities for an SEA, the SEA should have policies and procedures or other evidence that demonstrates that directives from the other State agency have been carried out.

## **REQUIRED ACTION**

Within 30 business days of receipt of this report, PDE must provide:

1. Documented agency-specific records retention policies or evidence that PDE has implemented and carried out OA’s established records management policies and procedures. If PDE elects to provide agency-specific records retention policies, these policies should include (at minimum):
  - a. A description of the categories of required records (either agency-wide or for each subcomponent of the agency).
  - b. Timelines and locales for record storage for paper and electronic records.
  - c. Procedures for archiving and disposal of records.
  - d. The designation of individuals responsible for periodically verifying compliance with record keeping requirements.
2. Documented policies for the protection and safeguarding of all PII. These policies should identify all sources of PII collected and stored by the SEA,

and describe the controls and protections in place for each type of PII collected (e.g., PDE personnel, students, teachers, etc.).

3. Evidence of the development or enhancement of training for PDE staff covering education privacy requirements (e.g., FERPA, PPRA, etc.).

G.

## EQUIPMENT MANAGEMENT



### REQUIREMENT SUMMARY

An SEA shall use, manage and dispose of equipment and supplies purchased using Federal funds in accordance with all relevant State laws and procedures. SEAs shall also ensure that equipment and supplies are used only for authorized purposes of the project during the period of performance (or until no longer needed).

Uniform Guidance 2 C.F.R. §200.313-314

GAO Green Book Principle 10.03



### ISSUE

Under Uniform Guidance § 200.313(a)(1), an SEA must use equipment for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project. (2 C.F.R. § 200.313(a)(1)). In addition, Uniform Guidance § 200.313(b) requires SEAs to use, manage, and dispose of equipment acquired under a Federal award by the State in accordance with State laws and procedures. In order to fulfill these responsibilities for equipment management, PDE should maintain documented procedures outlining its methods for ensuring that equipment purchased using Federal funds is only used for authorized purposes under the program the items were purchased to support, and how the use, management, and disposal of that equipment is conducted in accordance with State laws and procedures.

While PDE provided a number of policies established by OA in response to questions related to equipment management, PDE was generally unable to provide documented procedures or other evidence regarding how agency personnel monitor equipment use in accordance with OA directives and Federal requirements. Without such procedures, there is a risk that equipment purchased using Federal funds could be used for unauthorized purposes or otherwise in violation of applicable requirements.



### REQUIRED ACTION

Within 30 business days of receipt of this report, PDE must provide documented procedures regarding its process for monitoring the use of equipment it has purchased with Federal funds to ensure that all relevant State policies and procedures are followed and that equipment is used only for authorized purposes, including any periodic physical inventory procedures.



**RECOMMENDATION**

During the review, PDE was unable to provide documented policies intended to ensure control over vulnerable assets purchased using Federal funds. While PDE provided OA policies related to mobile device security and physical security for IT resources, PDE was unable to provide evidence of implementation of these policies or agency-specific procedures for ensuring control over vulnerable assets purchased with Federal funds. Though such controls are not mandated under Federal requirements, the failure to take such measures could result in the loss of items of purchased with Federal funds and the need to expend further funds to replace them.

The Department recommends that PDE develop policies for how it ensures control over vulnerable assets (high-value and/or mobile items, including technology) purchased using Federal funds. These procedures should include the steps PDE will take when there are concerns around control over vulnerable assets, as well as a process for investigating all instances where items have been damaged, lost, or stolen.

K.

## TRANSPARENCY ACT REPORTING



### REQUIREMENT SUMMARY

An SEA is required to report information identifying subrecipients (name, address, DUNS number) and subawards (CFDA number, award number, title) if, at any point during the award period, the SEA subawards more than \$25,000 in program funds (cumulatively) to any single subrecipient.

Reporting Subaward and Executive Compensation Information 2 C.F.R. Part 170, §170.220(a), §170 Appendix A, and 25 Appendix A

Uniform Guidance 2 C.F.R. §200.300(b)



### ISSUE

The Federal Funding Accountability and Transparency Act (FFATA) requires an SEA to report subaward information (award number, title, CFDA number, and amount) for any subrecipient that, at any point during the award period, receives more than \$25,000 in program funds cumulatively. Subaward reports are required to include the name, address, DUNS number, and other information pertaining to every subrecipient that receives a qualifying subaward. Reports must be submitted by the end of the month following the month in which a qualifying subaward is made. PDE must ensure that all qualifying subaward reports are successfully submitted in accordance with established timelines.

During the review, PDE confirmed that it had not submitted all required subaward reports in accordance with established timelines. While PDE stated that the Comptroller is responsible for compiling and submitting FFATA subaward reports – and provided documented procedures outlining the State reporting process – it is the responsibility of PDE as the prime grantee to ensure that subaward reports are submitted for each qualifying subaward made by the agency. If the Comptroller cannot complete reporting in accordance with requirements, PDE must ensure that required reports are submitted through some alternative process.

After the completion of the review, PDE provided evidence that the Comptroller had completed submission of all outstanding FFATA subaward reports and that PDE's current reporting was up to date.



### REQUIRED ACTION

Within 30 days of receipt of this report, PDE must provide the Department with evidence that it has developed documented procedures for staff to periodically verify with the Comptroller that all required FFATA subaward reports are submitted in accordance with established timelines and to take action to

complete any missing reporting if the Comptroller fails to do so (including following up with subrecipients to obtain missing information where necessary). Such procedures should help ensure that all required subaward reports are submitted in a timely manner.

O.

## ALLOCATIONS



### REQUIREMENT SUMMARY

SEAs shall ensure that, when subawarding funds to LEAs or other subrecipients, it makes subawards in accordance with applicable statutory requirements (including requirements related to the process for subawarding funds and the amounts to be subawarded to individual subrecipients).

ESEA §1124, §1124A, §1125, §1126(b), §2121, §2122(a), §2132, §3111(b) (1), §3114, §3116(a), §1003(g) (5), and §1003(g) (7)

EDGAR 34 C.F.R. §76.50-51, §76.300, and §76.789

Title I Regulations 34 C.F.R. § 200.72



### ISSUE

Sections 1124, 1124A, 1125, and 1125A of the ESEA require the Department to allocate Title I funds, through each SEA, to eligible LEAs within a State under the Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants, respectively. Title I Regulations § 200.72 requires an SEA under each of the four formulas to adjust the allocations the Department has determined for each LEA to account for (1) consolidations, divisions, and boundary changes that have occurred since the Census Bureau updated its list of LEAs and (2) special LEAs, such as charter school LEAs, that are not on the list of regular LEAs provided to the Department by the Census Bureau. (34 C.F.R. § 200.72).

Documentation provided by PDE indicates that the SEA has not followed the correct procedures for adjusting allocations determined by the Department to account for eligible LEAs not on the Census list of regular LEAs. Information that PDE provided the Department showed that the SEA instead followed different procedures by calculating a special LEA's allocation based off of a regular LEA's total allocation for the four formulas rather than determining a special LEA's eligibility and initial allocation on a formula-by-formula basis.

In addition, documentation provided by PDE indicates that the SEA has used weighting to change the amount of Title I, Part A funds allocated to LEAs with children in local institutions for neglected children. There is no authority in the ESEA or in the Title I regulations contained in EDGAR for a State to create its own weights that affect the portion of an LEA's Title I, Part A allocation that is attributable to children in local institutions for neglected children.

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### **REQUIRED ACTION**

The Department appreciates PDE's progress in recalculating school years 2012-2013 and 2013-2014 allocations. PDE must submit the allocation recalculations for school years 2014-2015 and 2015-2016 in accordance with the dates in Mr. Volkman's October 30, 2017 letter to the Department.

PDE must also provide evidence that, for any school year beginning with school year 2012-2013 through school year 2017-2018 in which PDE has applied its own weights to children in local institutions for neglected children, PDE has recalculated the portion of LEAs' Title I, Part A allocations that were attributable to children in local institutions for neglected children without these weights.

Q.

## COMPARABILITY



### REQUIREMENT SUMMARY

The SEA may only provide Title I, Part A funds to an LEA if State and local funds will be used in schools served by Federal programs to provide services that, on the whole, are at least comparable to services in schools that are not receiving Title I funds.

ESEA §1120A(c)



### ISSUE

PDE requires all LEAs with more than one building per grade span to submit a comparability report with assurances annually, with the reporting period open from October 1st through November 15th. LEAs submit comparability reports and assurances through an automated system that uses current year student and staffing information to calculate multiple comparability ratios for LEAs with grade spans and schools that require a demonstration of comparability. If an LEA cannot demonstrate comparability using any of the ratios calculated by the system, the LEA will not be able to submit its report and assurances. Once the reporting period is closed, PDE staff review comparability reports and assurances to identify which LEAs have not met comparability.

PDE works closely with the LEAs at the beginning of the school year to include comparability information in their application review procedures, and provides feedback to LEAs on how they can correct deficiencies in comparability.

However, LEA conversations during the review indicated that follow up by PDE to ensure any required staffing and funding changes were made by LEAs to comply with comparability requirements did not occur until March. If an LEA were to be out of compliance with comparability until the March follow up, there would not be sufficient time left in the school year for any adjustments to have a meaningful impact on the comparability of the affected schools.



### REQUIRED ACTION

Within 30 days of receipt of this report, PDE must provide the Department with a description of the process for determining comparability and the process and timeline for following up with LEAs to ensure corrections have been made. The documentation must demonstrate that PDE follows up with LEAs as early in the school year as possible regarding any comparability findings, giving adequate time to follow up to ensure that meaningful staffing and funding adjustments have been made to correct any comparability issues during the school year for which Title I, Part A funds have been received.

V.

## TRANSPARENCY AND DATA REPORTING



### REQUIREMENT SUMMARY

An SEA and its LEAs are required to prepare and annually disseminate report cards that include all required elements to the public in a timely manner.

ESEA §1003(f) and §1111(h)(1)

Title I Regulations 34 C.F.R. §200.11, §200.19(b)



### ISSUE

An SEA and its LEAs are required to prepare and annually disseminate report cards that include information related to student and school performance within the State. The State and LEA report cards must include:

- The percentage of students at each achievement level reported on the National Assessment of Educational Progress (NAEP) in the aggregate and, for State report cards, disaggregated for each subgroup described in 34 C.F.R. § 200.13(b)(7)(ii); and (2) the participation rates for students with disabilities and for English learners.
- Results on the State academic assessments in reading and mathematics in grades 4 and 8 of the NAEP carried out under section 303(b)(3) of the NAEP Authorization Act compared to the national average of such results. (Title I Regulations 34 C.F.R. §200.11, and §200.19(b))

Additionally, as described in ESEA §1111(h)(1)(B)(ii), in order to ensure that all parents have access to the report cards and can understand their content, to the extent practicable, all report cards must be provided in a language that parents can understand.

During the review, the Department identified two required data elements, listed below, that were missing from the more recently available State report card: regarding PDE's reporting of required program data:

- The percentage of students at each achievement level reported on the NAEP in the aggregate and, for State report cards, disaggregated for each subgroup described in 34 C.F.R. §200.13(b)(7)(ii) specifically as it relates to:
  - Students with disabilities, as defined in ESEA §9101(5).
  - English learners, as defined in ESEA §9101(25).



### **REQUIRED ACTION**

Subsequent to the review, in response to a draft version of this report, PDE submitted documentation showing that PDE will include the above elements in their Report Card. While the initial deficiencies still result in a determination of “action required” for the purposes of the review and final report, no further action is required at this time.



### **RECOMMENDATION**

During the review, from the evidence provided and the discussions during the review, it was unclear how PDE ensures that all parents have access to report cards and can understand their content, to the extent practicable, in a language other than English.

As the State transitions to the new Report Card requirements for the ESEA as amended by the ESSA, the Department recommends that PDE improve State and LEA report card accessibility for all parents, particularly to provide information to parents in a language they can understand.